Our monitoring and reporting approach for new appointees – a consultation: Wessex Water Response

Overview of our response

We are strongly of the opinion that efficient competition within effective markets will ensure that customers receive the best outcomes and services at the most efficient costs.

We welcome this consultation on the reporting requirements of new appointments - additional information around the services that these customers receive and the prices that they pay will help ensure that the new appointment market is delivering for current and future customers and the environment, and give a better understanding of the costs to deliver these services. This will ultimately ensure that the market is delivering outcomes as efficiently as possible.

To this end, and in accordance with the “no worse off” principle, we think that the reporting requirements for all new appointees should be as close as reasonably practical to those of the incumbent companies. It should cover at a minimum:

- Financial statements, returns, and charge information. This will monitor and ensure that the new appointments remain financially viable and that customers are paying the correct amounts.
- Customer service metrics covering at least the relevant common performance metrics from the outcomes and performance commitments framework to ensure that there is no detriment to the service customers experience.
- Asset information to ensure that the services offered are and will remain resilient. This will also support the setting of truly cost reflective tariffs.

This will ensure that there is a full understanding of the long-term resilience, both financial and operational, of the companies to minimise the risks of failures for the customers.

We would still expect that as new appointments grow then the exclusion of condition B from their license is reviewed (previous consultations suggested that this could be when they serve c50k properties) and full reporting is required.

Answers to consultation questions

Q1: Do you agree with the purpose and objectives we have set out? Should we consider other factors when developing our monitoring and reporting approach?

We agree with the purposes and objectives you set out.

Q2: To support our purpose and objectives, do you agree with the principle of strengthening reporting requirements for all new appointees that are distinct from those for incumbents?

We think it is essential that the reporting requirements for new appointments are enhanced. Where they offer the same services as an incumbent, we see no reason why they should have a lesser reporting requirement. Overall new appointments will still benefit from a simpler reporting requirement as there are activities that they do not undertake.

Q3: Do you agree with the principle of introducing proportionate reporting requirements that are based on a ‘tiered’ approach? What should be the basis of these tiers?

We do not see value in a tiered approach. This will mean that there is potentially less understanding of small companies and therefore more potential risk for their customers. We feel that this is not fully in accordance with the “no worse off principle”.

Q4: Do you have any comments on how we should approach the information we collect from new appointees?

It should be treated and reviewed as if it were submitted by any incumbent.

Q5: What are your views on how the quality and transparency of financial information in small company returns could be improved? How could this vary by tier?

We see no reason why a new appointment should have a different requirement for data quality or expectation of transparency than an incumbent. As before, we believe a more relaxed approach to either of these is not fully in accordance with the “no worse off principle”.

We would expect the same requirements for all new appointments. As mentioned before, we do not see value in a tiered approach.

Q6: Do you agree with our proposal to introduce an annual narrative requirement for new appointees subject to a company-based assessment? Should further information be included in the small company return?

We agree with this proposal.

Q7: Do you agree with the principle of a consolidated annual performance report that is accessible to all relevant stakeholders? For some measures, may another format be more appropriate?

We agree with this principle.

Q8: What should the annual performance report include as a minimum and which existing performance measures may be relevant to include?

We think that the annual report should include:

- Full financial statements including information relating to returns,
- Narratives around revenues to ensure customers are no worse off
- Narratives around financial resilience
- The same asset information requirements as an incumbent,
- Performance against all relevant common performance measures.

Q9: How may reporting requirements differ between new appointees and at what level should performance information be reported?

We think that it will be no additional burden to capture performance at a site level, and therefore see no reason to not report at this level.

Other areas, such as operating costs may be harder to disaggregate and so we see an argument to report financials at a company level.

Q10: What should our approach be for ensuring there is sufficient assurance relating to the information provided by new appointees in their annual returns?

Assurance requirements should be as close as practically possible to that required from incumbent companies, including audit opinion and board sign off.

Q11: What should our approach be in terms of the board leadership, transparency and governance of new appointees?

This should be as close as practically possible to that required by incumbent companies**.**

Q12: Do you have views on how and when changes to reporting requirements for new appointees should be implemented?

We believe these should be implemented as soon as reasonably possible. We would propose starting in the 2021-22 reporting year.